

Canadian Industries Limited



Annual Report
1941

CANADIAN INDUSTRIES LIMITED
MONTREAL

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NATIONAL TRUST COMPANY, LIMITED, MONTREAL

MAR 20 1943
Rec'd

THE RIGHT HONOURABLE ARTHUR BLAIKIE PURVIS

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On 14th August, 1941, the Rt. Hon. Arthur B. Purvis, President and Managing Director of Canadian Industries Limited, was killed when the aircraft in which he was about to leave Great Britain met with disaster. Late in 1939, when he undertook important duties on behalf of the United Kingdom Government, he was granted leave of absence from the Company and at the time of his death he was serving as Chairman of the British Supply Council in North America. He was buried in Ayrshire, Scotland, on 19th August with the twenty-one other victims of the catastrophe, and memorial services were held in Washington on 17th August and in Montreal on 26th August.

From all parts of the world tributes and messages of sympathy were received testifying to the high esteem in which Mr. Purvis was universally held and showing how wide-spread was the grief at his tragic death. He had been a director of Canadian Industries Limited since 1922 and President and Managing Director for the past sixteen years. The whole Company mourned the loss of a leader whose exceptional ability and rare qualities had won for him sincere admiration and lasting respect.

Mindful of the pride and attachment which he felt for the enterprise he had done so much to build, it is felt that no more fitting tribute could be paid to Mr. Purvis in this report than a brief sketch of the progress made by the Company under his leadership.

When he became President in 1925 the Company was still known as Canadian Explosives Limited and was engaged mainly in the manufacture of commercial explosives. One subsidiary company produced sporting ammunition, and three others, utilizing surplus nitrocellulose supplies, made varnishes and finishes, plastic products and simulated leather fabrics. There were two managed companies, one making safety fuse and the other fertilizers on a small scale.

During the next two years much thought and study were given to the desirability of extending into allied branches of the chemical industry as it was recognized that the rapid growth of industrial development in Canada would demand chemical products in increasing quantity and variety. By 1927 a policy had been formulated for undertaking large-scale production of related chemicals in such a way as to utilize by-products wherever possible and to use the finished product of one branch of production as the raw material of another. Also envisaged was the importation and resale of other chemical materials in order to develop the market and to obtain experience which would enable the Company to begin manufacture of such materials when the demand reached sufficient proportions to make domestic production economic. To mark the enlarged scope of its activities the name of the Company was changed at this time to Canadian Industries Limited.

Entry into the general chemical field was made in 1928 through three established companies which provided initial facilities for the manufacture of the Company's major chemical products. The nucleus of an integrated system of production having thus been laid down, the significant development of succeeding years resulted chiefly from the rapid expansion and modernization of existing facilities and the construction of new plants. Subsequent to 1929 less than a tenth of the growth in the Company's manufacturing investment is accounted for by acquisition of established enterprises; the increased use of chemicals in Canada's growing industries and the introduction of new processes and products being largely responsible for the consistent progress that has been made.

Throughout the years of his association with Canadian Industries Limited, Mr. Purvis sought not only the advancement of the Company by sound progressive methods, but also the expression through its policies of the "trustee" concept of the obligations of business towards the community at large, and in particular towards the employee, the consumer and the shareholder. Under the leadership of Mr. Purvis the Company, as it grew, won increasing recognition as a capably managed and efficient organization, and by his example the members thereof are inspired to perpetuate a tradition of service and responsibility.

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ANNUAL REPORT

THE Directors have pleasure in submitting herewith the Annual Report of Canadian Industries Limited for the year 1941.

Concentration on the single objective of a total national effort, requiring control or elimination of all factors that might detract from its accomplishment, focuses attention on the complex nature of Canada's economic structure. Because of the interdependence of the diversified activities involved, the degree of efficiency exercised by management in discharging the new obligations thrust upon industrial organizations is of considerable importance. The Company has therefore paid particular attention in this report to the adjustments continually being made in order that its policies and resultant practices may at all times be in conformity with the best interests of the country. As the fundamental changes which have occurred in the functions of industry and Government influence every branch of industrial activity, the new conditions will be reviewed briefly before proceeding to a consideration of Company operations.

In addition to co-ordinating individual effort, the Government has gradually assumed the responsibility of determining the character and distribution of industrial output and has undertaken the task of making the domestic economy function in a manner designed to have the least disruptive effect on long-term stability. The first move in this direction accompanied the decision to construct and operate with public funds plants for the production of those war materials which would have no imme-

mediate peacetime use. Centralized direction and control was employed more widely as the war progressed and before the end of 1941 extended to the production and distribution of nearly all essential industrial materials. The adoption of measures late in the year to stabilize wages and prices halted the functioning of two natural forces which operated in peacetime to direct the energies of the country. This course was undertaken to immunize the country's financial structure against underlying inflationary conditions and a greater degree of regimentation is to be expected if needed supplies are to continue to flow in increasing volume to the armed forces.

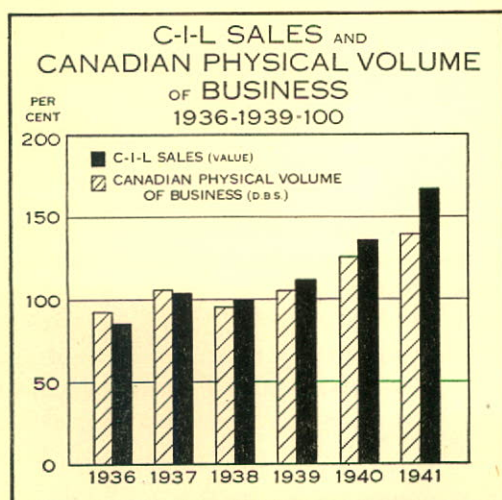
Industry's complete collaboration is essential for the successful execution of this programme and its major responsibility lies in the efficient utilization of those resources remaining under the control of management. Total production in the Dominion reached a new high level during 1941 and, while the expansion in plant capacity is not yet completed, development of the remaining potentialities of the nation is moving steadily forward. Widespread alterations in the industrial structure have occurred since the outbreak of war and further modifications are resulting from the virtual full employment of all productive elements. The flow of many raw materials and finished products is being directed away from peacetime channels and the insatiable demand for war materials is bringing about extensive changes in the character of industrial output. These adjustments have placed a heavy burden on industrial organizations and the dislocations that inevitably accompany the waging of total war are becoming more pronounced.

The study of post-war considerations is being urged by many sections of the community and there is no doubt that some action taken now, which will not in any way interfere with the war effort, can perhaps eliminate some distracting features and at the same time provide the basis for progressive and constructive thinking for the future. Industry itself can assist in lessening the severity of the post-war transition period by preparing to meet the situation when the artificial impetus given by war demands is withdrawn and activity is once more concentrated on supply-

ing normal needs. When that time comes, new and improved products would help in the maintenance of a high level of output, but a decrease in selling prices based on lower costs of production and distribution appears to offer the most effective means of encouraging post-war consumer demand. If productive resources are to be kept fully employed, however, larger reserves of consumer purchasing power should be accumulated during the war years and all non-essential expenditures deferred in order to build up a strong potential demand for the output of industry. New economic problems have always followed in the wake of war but if in Canada a united determination to expand production is fostered, the industrial experience and knowledge acquired within the country since 1939 could undoubtedly be utilized to achieve real material progress.

OPERATING REVIEW

THE demands made on the Company's operating facilities are evidenced by the increase of 25% in the value of 1941 sales over the high level of the previous year, but as a result of the advance in operating costs and the increase in taxation, earnings



are slightly lower than in 1940. Company sales fluctuate with general business conditions, but in periods of heightened activity the relative increase in sales has been greater than the advance in total industrial output because of the more widespread uses found for chemicals and the installation of equipment for the manufacture of new products.

Since industrial chemicals are used largely in the manufacturing processes of other products, expenditures for war materials affected Company operations for the most part through the chemical consuming industries. Direct sales of Canadian Industries Limited to the Canadian and British Governments amounted to only 1.9% of total sales although another 2.2% consisted of raw and processed materials consumed by Defence Industries Limited, a wholly-owned subsidiary entirely engaged in the production of military supplies. Undoubtedly the largest stimulus to greater activity has its origin in government outlays for essential materials and the resulting increase in purchasing power; but a considerable portion of the Company's output is still taken up by the chemical requirements of the exporting industries.

Because of the extensive and diversified uses of industrial chemicals the national effort made particularly heavy demands on the Chemical Group and the resulting advance accounts for 46% of the increase in total sales. The impact of the rise in total industrial production was almost as great on the Cellulose Products Group although its activities were largely devoted to meeting the additional requirements occasioned by the expansion in the automotive and aircraft industries and the high level of construction. More intensive cultivation of farm crops increased the use of fertilizers and a further improvement in the output of minerals brought about slightly higher sales of commercial explosives.

Accompanying the greatly increased levels of production, some of the operating divisions have experienced gradual changes in the character of output in order to assure adequate supplies of chemicals for the manufacture of essential materials, and this tendency will be intensified in the months ahead. Despite these

and other heavy demands on its technical staff, already depleted by the release of personnel for munitions production, the Company has striven to maintain productive efficiency and to institute economies in the cost of distribution. Operations have also been considerably influenced by government control and every effort has been made to conform to the regulations. An example of this co-operation is found in the policy adopted with regard to the selling prices of manufactured products where, as a result of the absorption by the Company of increased material and labour costs, average prices for the year are only 2.3% higher than in 1940 as against a much greater advance in the level of general commodity prices.

CELLULOSE PRODUCTS GROUP

An increased demand for "Cellophane" accompanied the expansion in general consumer buying during 1941. Considerable impetus was given to the use of transparent protective packaging of food-stuffs owing to shortages of personnel in retail outlets which necessitated greater reliance on self-service methods of merchandising. Manufacturers of aircraft and small arms made larger purchases of cellulose adhesive tape, although this product constitutes only a very small portion of total sales. Because certain raw materials entering into the production of "Cellophane" are also required in the manufacture of military explosives, sales at the end of September were restricted to approximately one-half of previous requirements. Later, the Controller of Supplies limited the use of "Cellophane" to those commodities where its protective qualities are essential for the maintenance of proper hygienic standards or product preservation. Only the principal grades of plain and moistureproof "Cellophane" will be produced until the raw material situation improves. The packaging experience of the technical staff has been made available to customers in order to reduce the disturbance caused by the curtailment of supplies.

Modernization and expansion of production facilities, started prior to the outbreak of war and completed early in 1941, enabled output in the "Fabrikoid" Division to keep pace with the

growth in industry's diversified needs of rubber-coated and pyroxylin-coated fabrics. These materials are required in the manufacture of an extensive range of consumer products and sales were therefore stimulated by the higher level of purchasing power as well as by the decline in competition from foreign manufacturers. A large quantity of material was taken by the automotive industry for upholstery in military vehicles although demand from this source was affected by the decrease in the production of passenger automobiles. Towards the end of the year it was made known that rubber would be available only for the manufacture of war materials and a limited number of essential civilian products. It is inevitable that this will result in a decrease in production although it is hoped to mitigate the adverse effect by the greater use of pyroxylin as a basic coating material.

Although the Paint and Varnish Division has been faced with many production problems as a result of wartime conditions, the year under review again emphasized the value of an organization possessing research experience and practical technical knowledge. An increasingly large proportion of the Division's equipment is being given over to the manufacture of protective coverings for mechanized equipment, ordnance, aircraft and miscellaneous military supplies. Production for commercial purposes also expanded to meet the demand occasioned by the high level of industrial construction and the increase in the number of new dwellings, but it became necessary before the end of the year to subordinate this business to military requirements. The increase in output was made possible by careful planning of production and the distribution of work between plants to take advantage of all available capacity. Raw material shortages, however, set a limit to the expansion, and while some changes in ingredients were found possible in order to utilize available supplies, certain lines will eventually have to be discontinued. This, together with the specialized functions that must be performed by paints which are applied to military equipment, necessitated the development of over one thousand new formulations. Unprecedented demands were therefore made on the technical staff during the year and the record of accomplishment is attributable in no small

measure to previous emphasis on research and past efforts to meet specific customer requirements.

Widespread acceptance of plastics is a relatively new development but their performance since the outbreak of war has gained for them an important place as a raw material of industry. The manufacture of nylon monofilament by the Plastics Division, which began early in the year, is meeting an urgent domestic need because of the reduced supplies of natural bristles which in the past have come from abroad. Consumer demand for the other manufactured products of the Division was well above the high level of the previous year. Although consumption of a number of plastic materials does not yet justify their manufacture in this country the Company has undertaken the supply of many such products on a resale basis. Many plastics entering into the manufacture of aircraft were provided in this way and the list includes "Lucite" and "Perspex", heavy sheetings for window lights, "Plastacele", a lighter sheeting, and "Plaskon" resin glue, used in the laminating of wood panels. In addition larger quantities of "Butacite", which has replaced cellulose acetate to a large extent in the manufacture of safety glass, were supplied to the automotive industry.

CHEMICAL GROUP

The consumption of chlorine by war industries, superimposed on the increased demands of regular customers, has taxed to the utmost the facilities of the Alkali Division. Productive capacity has been enlarged and a further increase in output was achieved by skilful adjustment of operating schedules and processes. Chlorine is an important constituent of chemicals employed in the manufacture of degreasing compounds, smoke-screens and to a lesser extent in other branches of war production. Distribution, therefore, has been placed under Government control and in order to assure adequate supplies its use by the pulp and paper industries, in normal times the largest consumer, has been restricted. Capacity is being increased and the output and distribution of chlorine have been carefully planned in anticipation of much greater consumption for war purposes in the coming

months. Caustic soda is obtained along with chlorine from the same chemical process and part of the quantities available were taken by the textile, pulp and paper, soap, petroleum and aluminum industries. A plant for the manufacture of anhydrous hydrogen chloride is under construction and an existing muriatic acid plant has been rebuilt and expanded in order to increase output. Technical assistance rendered to customers aided in adjusting manufacturing processes when it was necessary to alter the character of chemicals supplied.

During 1941 the demand for industrial chemicals exceeded any previous level and the plants of the General Chemicals Division operated at capacity to meet the exceptionally heavy requirements. The largest increase occurred in the consumption of sulphuric acid as, in addition to its use in industries directly engaged in the production of war materials, it is needed in metal processing, petroleum refinery and in the manufacture of other chemical products and textiles. Under the direction of the Chemical Controller supplies were distributed in such a way as to meet total essential demand, and pressure on the Company's units will be eased somewhat in 1942 as other facilities come into operation. The Dominion has in the past relied on foreign producers for many chemicals which are not needed in large quantities, but disrupted sources of supply and transportation difficulties have interfered with the flow of imports and as a result a limited number are in short supply. In this connection, the output of plants erected since the beginning of the war has prevented the situation from becoming more serious. The Division's experienced personnel has been at the disposal of Government bodies and industrial concerns when problems related to chemical processes have been encountered in undertaking the manufacture of new products.

A plant now under construction for the manufacture of nylon yarn from imported flake polymer is expected to be placed in operation about the middle of 1942. It was necessary to revise specifications in order to meet the request of the Government to double output and the additional facilities are not scheduled for completion until later in the year. Because of the difficulty in

obtaining imported nylon yarn, sales to the textile industry have remained at a low level and experiments in uses of the material indicate that the output of the new plant may be largely utilized for war purposes. There are, however, excellent possibilities that the advantages possessed by the product over natural silk will result in its widespread adoption when conditions return to normal.

Although the war is gradually altering the relative importance of products handled by the Organic Chemicals Division, sales remain concentrated largely in the textile, mining, rubber and pulp and paper industries. Consumption of dyes and other chemical intermediaries by the textile industry is still the largest source of demand and showed a further improvement during the year. Larger shipments of sodium cyanide were made to the mining industry and sales of rubber chemicals were definitely higher. Neoprene, a synthetic rubber, is obtained in the United States and can be employed only in the manufacture of products destined for the armed services. Shortages of certain other chemicals have developed but it has been possible to ease the situation by the use of substitute products. The war has greatly expanded the demand for trichlorethylene, a solvent for degreasing purposes, and productive facilities are being expanded.

Despite the high level of the previous year, the output of the Salt Division during 1941 was further expanded to meet greater consumer demand for "Windsor" and other grades of salt and to provide for the increased requirements of industry. Chlorine, among other chemicals, is derived from salt and a considerable portion of the increase in output went into the manufacture of this much needed chemical. Sales to the food industry again increased and the greater consumption of salt by the packing industry was necessitated by larger exports of cured meat products. Salt is also consumed industrially as a stabilizer in the construction of highways, airports and railroads; and salt-treated abrasives are employed in ice removal. Minor adjustments in manufacturing equipment proved effective in bringing about an increase in the volume of production.

EXPLOSIVES AND AMMUNITION GROUP

The increased output of the "Dominion" Ammunition Division is largely attributable to the expanded demand for war supplies, as it was possible by modifying certain types of commercial products to make large quantities of ammunition available to the Government. Production of railway signals and fusees was also increased to meet the greater volume of sales brought about by heavier traffic movements. Commercial demand for ammunition also advanced, and while it is recognized that efforts by individuals to become more proficient in the handling of fire-arms is partly responsible for sales of this nature, government orders were given priority over other business. This curtailment will become more severe during 1942 as the amount of metals allocated to the manufacture of commercial ammunition has been greatly reduced. The Division has released many of its experienced personnel to assist in the operation of government-owned plants and their replacement by new employees has affected temporarily the maintenance of high standards of efficiency, but every effort is being made to obtain maximum output from the permitted supply of raw materials.

Although owing to war conditions many difficulties have been encountered by the Explosives Division, particularly in obtaining necessary supplies of raw materials, production at a high level of efficiency has been well maintained. Increased consumption of explosives resulted from efforts put forward to relieve the shortages of those metals necessary for prosecuting the war. The large volume of public construction in progress during the year added to sales for blasting purposes. Because certain materials previously obtainable from foreign sources cannot now be imported, the Division has had to undertake the manufacture of various ingredients used in the production of both commercial and military explosives. It has even been possible to export considerable quantities of one product which was not made on this continent until early in 1941 and rapid strides have been made towards self-sufficiency in other raw materials. In other instances, entire supplies have been relinquished to the

Government and formulae have been revised to permit the utilization of substitutes. Although such changes have made very heavy demands on the technical staff, assistance to customers in developing satisfactory blasting methods has been continued, together with the regular educational activities to promote safety in the handling of commercial explosives.

FERTILIZER GROUP

In response to the stimulus of higher prices and appeals for greater supplies, many farm crops are being cultivated more intensively and as a result the Fertilizer Group experienced a further advance in the demand for its products. Adequate supplies of most of the chief ingredients of mixed fertilizers have so far been obtainable but, owing to the urgent need for certain chemicals in war industries, manufacture of some fertilizer products is below market requirements. Most basic raw materials for the production of fertilizers are imported and the delivered cost of such materials has risen considerably since 1940. The selective upward adjustment of selling prices put into effect during 1941, however, was well below the amount that would have been justified by the marked advance in costs. This situation has in part been met by exercising the strictest economy in all operations and by benefits derived from improved facilities. Owing to the scarcity of jute a large proportion of the fertilizer output is now being shipped in paper bags, and the early installation by the Company of the necessary equipment afforded an opportunity for service to the trade in developing satisfactory methods of handling this type of package.

The vital importance of food supply in time of war puts new emphasis on the value of scientific methods in agriculture, and in co-operation with government departments the Fertilizer Group has endeavoured to make the services of its technical staff widely available to farmers. Problems involving the use to best advantage of insecticides, fungicides, mineral stock foods and similar aids to efficient farming are under continuous study. The free advisory and soil-testing services maintained at convenient

locations receive more enquiries each year and the interest displayed in the monthly farm news-letter and in the showing of films of an educational nature is most encouraging.

DEFENCE INDUSTRIES LIMITED

The production of explosives, ammunition and chemicals for military purposes, together with shell-filling, is carried on in plants operated by Defence Industries Limited, a wholly-owned subsidiary, organized in September 1939 to keep such direct war activities segregated from those representing the established business of the parent Company. The small pre-war plants transferred to the new company operated at capacity throughout 1941, but this output now represents only a very minor portion of the total current volume of production despite its importance in the early part of the war. In order to finance the necessary additions to these pre-war plants and to provide working capital, an amount of \$2,000,000 was invested by the parent Company in the capital stock of Defence Industries Limited.

It is the national policy that large-scale production of those products used exclusively for war purposes should be centred in government-owned plants, and the major task of Defence Industries Limited has been the construction and subsequent operation of many such units for the account of the Governments of the United Kingdom and Canada and under the surveillance of the Department of Munitions and Supply and Allied War Supplies Corporation. Entrance into this vast undertaking, involving the manufacture of new products, was made possible by the existence within the parent Company's organization of an accumulated experience in industrial management combined with personnel possessing specialized technical skill and practical knowledge, together with the advice and detailed information made available through its associates in Great Britain and the United States. From each of these sources Defence Industries Limited received all possible assistance to ensure the accomplishment of its objectives effectively and with dispatch. In addition it was essential to be able to rely with assurance on many other industrial concerns who, in the capacities of suppliers and subcontractors, have been

called upon and have displayed the utmost energy and resourcefulness in furnishing materials and equipment with a speed that must have placed severe strains on their own organizations.

Expenditures totalling \$73,000,000 have been authorized by the Government for the erection of the required plant and equipment to carry out shell-filling and to manufacture cordite, TNT, tetryl, smokeless powder, various types of small arms ammunition and special chemicals for military purposes. Construction was begun in February 1940, and ten new units, many of them major projects, are already in operation. Of necessity, the various projects have been undertaken quickly, and as speed of production is of prime importance, initiation of the work did not await the completion of formal contracts. While the volume of production cannot be disclosed, it is generally known that quantities have already been substantial and the output from government-owned plants will be even greater in 1942. The efficiency necessary to accomplish such a programme demands the strictest attention to matters of health and safety and in this respect an excellent record has been achieved. Some conception of the size of the programme can be gained from the fact that employment rose from 4,000 at the beginning of the year to 24,000 employees at the end of December. Included in this figure are many specially trained men and women transferred from the parent Company to provide the core for the subsidiary's management and operating staff. To their experience, ability and strenuous efforts must be attributed much of the success in accomplishing the immense output of war material and the record production schedules which have on various occasions been the subject of favourable comment in official quarters. A further contribution of immeasurable value in this undertaking has been the services, additional to their greatly increased regular duties, which technical and other specialists in all branches of the parent organization have rendered to Defence Industries Limited.

In accordance with the terms of the contracts signed with the Department of Munitions and Supply the company is provided with funds to cover the cost of construction and operation of the government-owned plants and is paid a management fee,

which is calculated at a small percentage of the total volume of work involved. The extent of the services performed is indicated by the magnitude of expenditures made for the account of the British and Canadian Governments which, including the amount actually spent on construction, has exceeded \$100,000,000 since the outbreak of war. The company's income is derived partly from fees received for the construction and operation of the various government-owned plants under its management and partly from operations for which capital was provided by the parent Company. After setting aside reserves for income and excess profits taxes, dividends were declared amounting to \$312,000, of which \$43,000 was in respect of the year 1940.

MANAGED INVESTMENTS

EFFORTS, involving heavy cash outlays, put forward by subsidiary and managed companies in previous years to develop new products, to provide greater manufacturing capacity, and to improve production methods, enabled these organizations to execute efficiently the new tasks arising out of wartime conditions. The year marked a further departure from the practice of concentrating on the widening of markets as efforts to increase output occupied almost exclusively the attentions of the respective managements. Several of these companies have only recently passed beyond the development stage and, with one exception, net earnings for 1941 as a result of a marked increase in sales volume are higher than in the previous year.

By 1941 Aluminate Chemicals Limited had been developed to the stage which justified the installation of equipment to produce sodium aluminate and other chemicals required in the treatment of boiler-feed waters. It was thus possible to meet the increased needs of domestic industry without relying on foreign sources of supply.

The high level of production of the durable goods industries increased the demand for metal plating supplies and equipment, degreasing solvents, galvanizing fluxes and other materials supplied by Canadian Hanson and Van Winkle Company Limited. Despite heavy demands, the local management continued to meet

successfully the diversified requirements of essential industry and results for the year recorded an advance over 1940.

Sales of Canadian Safety Fuse Company Limited continued the moderate advance of the previous year and a further increase is expected to follow the installation of equipment for the filling of initiators for military purposes. As a result of the rise in material and labour costs, earnings for the year are lower than in 1940 and dividends have been reduced.

Further progress was achieved by Canadian Titanium Pigments Limited although greater difficulties have been encountered in obtaining supplies from abroad. The larger sales volume resulted in an advance in earnings, despite higher material prices, and dividends declared were at the same rate as the previous year.

Cornwall Chemicals Limited, an associate company organized during 1940, has completed construction of a plant for the production of carbon bisulphide.

Operations of Dunlop Tire and Rubber Goods Company Limited were again expanded during the year to meet the increased demand that resulted from the larger production of military vehicles and other specialized products needed by the armed forces and to take care of an increase in regular business. In view of the restrictions placed on the consumption of rubber, major changes leading to a decline in sales are to be expected in the volume and character of output. Dividends on the common stock have been maintained for three consecutive years, the rate being unchanged.

RESEARCH

IN appraising the part played by the chemical industry in the development of the war production programme, the important contribution of research is not always readily apparent. Although the precise nature of much of the work of the chemical and engineering specialists cannot be disclosed, reference can be made in general terms to the new and heavy demands which have been met through the Company's research facilities. Studies of new

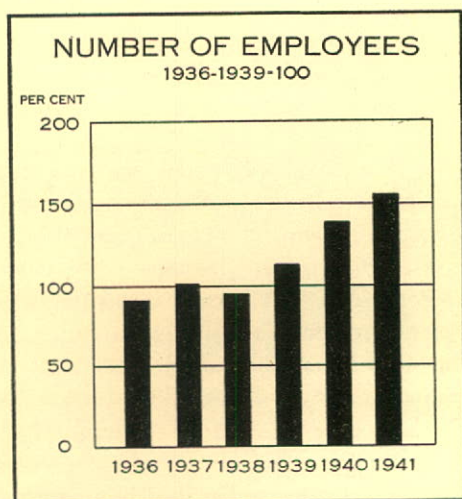
processes have been undertaken, leading to the erection of plants designed to produce essential materials from available natural resources; investigations have resulted in increased operating efficiency and expanded output in existing plants; technical service has been rendered with a view to aiding customers by recommending alternative processes or substitute materials to take the place of chemicals made scarce because of the requirements of war industries or curtailment of imports. In all of these fields the Company has been greatly assisted by the wide experience and knowledge available through its association with Imperial Chemical Industries Limited and E. I. du Pont de Nemours and Company. Patents as well as specialized technical knowledge, moreover, have been placed at the disposal of the Government for military purposes during the emergency and also the rights to royalties voluntarily surrendered in order that the fullest use might be made of the nation's resources.

It should be noted that some of the new problems confronting industrial chemists are specifically Canadian in character and must be studied in the light of conditions which apply only in Canada. This feature may emerge more importantly in research work contemplated in connection with the post-war situation. The present increased industrial activity, so many times greater than would have been experienced through natural growth and development under peacetime conditions, has resulted in the establishment of manufacturing facilities for products hitherto imported in relatively small quantities, and in the expansion of existing capacity for other products far beyond the pre-war rate of consumption. Although for the present all efforts must be concentrated on immediate necessities these factors will undoubtedly exercise a directional influence on future research work. It is to be expected, therefore, that after the war more emphasis will rest on seeking outlets for the unusual abundance of certain raw materials than on the development of new raw materials or new sources of supply.

EMPLOYEE RELATIONS

EMPLOYMENT

In comparison with the wide fluctuations in employment during the previous year, the increase in 1941 was relatively uniform as a more orderly advance in the demand for chemical raw materials permitted better planning of production schedules. There was some falling off in the number of new employees engaged by the Company in the latter part of the year and the increase of 12% for 1941 to 6,000 employees at 31st December compares with an expansion of 23% in 1940. Of the increase a large proportion were women and older men.



In companies for whose management Canadian Industries Limited is directly responsible, excluding Defence Industries Limited which has been dealt with separately, the number of employees at the close of the year totalled 1,573, an increase of 5%.

ORGANIZATION

Elsewhere in the report reference has been made to the large number of employees whose services have either wholly or in part been withdrawn from their regular duties and made avail-

able to the wartime subsidiary, Defence Industries Limited. Appointments in various wartime organizations have also been filled, at the request of the Government, by senior members of the staff. Although thus deprived of many of its most experienced administrative and technical personnel, the Company has nevertheless expanded manufacturing facilities, extended production to capacity levels and, under conditions of exceptional strain, is endeavouring by careful economy to attain the highest possible operating efficiency. Even heavier tasks must be expected and their accomplishment will be a searching test of the employee body and the spirit which in the past has enabled it to work harmoniously to overcome all obstacles. In this regard the Board has every assurance that despite the growing burden of management problems, the greatest care continues to be given to all matters affecting employees in their relationship with the Company.

No questions of internal policy have received more attention both in the present and in the past than the fulfilment of those obligations which the Company owes to its employees. The practical expression of this concern, beyond fair remuneration and good working conditions, lies in the various industrial relations policies and plans intended to assist in providing a measure of protection for employees and their dependants against the financial consequences of accident, sickness, enforced retirement and death. Through other plans annual vacations with pay are granted, the accumulation and investment of savings is encouraged, and a national service policy has been instituted to deal with the adjustment of income on enlistment in the armed services.

On the subject of employer-employee relations it may be asked what assurance the Company has that the employee body reciprocates the confidence and trust displayed towards it. Complacency on a matter of such vital importance would be a serious fault in management, but there exists no means of obtaining a precise answer to the question. Individually and collectively employees have on various occasions expressed their appreciation of the manifest sincerity of management's endeavour to be fair

and reasonable in its dealings with them and of the systematic study made to keep abreast of all industrial relations developments. There is convincing evidence of employees' ability to operate with success as an integrated unit and the Board feels it cannot commend too highly the initiative and vigour with which all divisions, departments and individuals have applied themselves to their tasks and the excellent results which have been achieved.

While recognizing that voluntary work organized and undertaken by employees in support of various war activities is not a matter for official record, it is permissible to mention that their enthusiasm and untiring efforts have accomplished results on a scale of which they have every reason to be proud.

EMPLOYEE REPRESENTATION

In present circumstances it is of interest to recall that the works council as it exists today is a direct development of the joint industrial councils set up in Great Britain at the close of the last war. Conceived in 1916, the scheme of employee representation in industry is an example of preparing during war years to meet post-war conditions. In twenty-five years the scheme has proved itself to be a practical form of consultative procedure enabling employees and employers to discuss freely matters of common interest. Since the introduction of the Employee Representation Plan into this Company in 1934 the works councils, of which there are thirteen, have met regularly and their discussions and recommendations have greatly aided management in its endeavour to provide satisfactory working conditions and to assist in co-operative measures designed to promote individual social security. The mutual respect and confidence which characterize the relationship between management and employees are amply demonstrated by the spirit of goodwill in which questions are discussed and views exchanged by members of works councils. Of its own initiative the Company has recently amended the Plan's procedure to permit of a question being submitted to arbitration in the event of agreement not being reached after proceeding through all channels of appeal including the President.

A form of employee representation, adapted to meet local conditions, will be made available at certain of the works operated by Defence Industries Limited as employment at the selected locations becomes stabilized.

Employees are kept informed of Company activities and policies through "Contact", a newspaper published in English and French editions, which also contains explanatory articles on subjects of special interest such as unemployment insurance, war savings certificates, income tax, and the cost-of-living index. Monthly publication has been suspended as a measure of economy in wartime and the paper is now appearing in alternate months.

INDUSTRIAL RELATIONS PLANS

1941 Co-operative War Savings Plan—Under the terms of this Plan pre-war employees earning not more than \$250 a month could authorize monthly deductions up to 10% of their earnings or \$20 a month, whichever was the lower. The amount deducted was invested in war savings certificates or, as an option, up to half the amount could be maintained in cash and either withdrawn or converted into certificates at the end of the Plan. To encourage the purchase of certificates the Company's contribution of 25 cents on each dollar was applied only to savings in the form of certificates. Certificates were delivered to 2,013 employees, representing 60% of those eligible at the beginning of the Plan, and amounted in purchase value to \$223,050, including \$44,610 contributed by the Company. The War Savings Plan authorized for 1942 differs from that of the previous year chiefly in that employees engaged since 1st September, 1939, and having one year's continuous service at the start of the Plan are eligible to participate.

The total extent of employees' purchases of war savings certificates through all channels is not ascertainable. Mention should, however, be made of the excellent response to the endeavour to enlist every employee as a monthly subscriber. Regular deductions from earnings have been authorized by about 90% of the employees, including those participating

under the Company's Savings Plan, and employee committees maintain a systematic canvass month by month to secure new subscribers and larger subscriptions. Based on December figures, deductions from earnings for the purchase of certificates were being made at the rate of \$360,000 a year.

Co-operative Health Insurance Plan—Payments totalling \$19,000 were paid on 224 claims where surgical, hospital and related expenses had been incurred, and a further \$4,900 was disbursed on 296 claims for physicians' fees. All pre-war employees may apply for insurance under this scheme and 84% of those eligible participated. Premiums are paid jointly by participating employees and the Company.

Disability Wage Plan for Payroll Employees—All payroll employees, including wartime employees, after serving continuously for one year, are eligible to receive payments under this Plan when absent from work through illness or accident. The maximum payment is the equivalent of thirteen weeks' full wages beginning with the second week of absence, less any amount which might be received under the Workmen's Compensation Acts. An amount of \$49,700 was paid during 1941 to 689 employees, the total cost being borne by the Company.

Vacation Plan for Payroll Employees—Vacations with pay of either one or two weeks' duration, according to whether their service amounted to at least six months or one year respectively, were granted to 2,600 employees, at a cost of \$139,000 to the Company. Pre-war and wartime employees are eligible under this Plan, renewal of which is again dependent upon the requirements of war production.

Employees' Benefit Plan—All employees of the Company engaged prior to 1st September, 1939, are included in this Plan, which provides that on the death of an employee an amount ranging from \$1,000 after six months' service to \$1,500 after five years' service is paid to the beneficiary in twelve monthly instalments. An amount of \$38,500 became payable during the year on the death of 22 employees and 4 pensioners. Payments are made from a reserve provided by the Company to which \$195,000 was added during 1941.

Pension Plan—This was established in 1919 as a non-contractual plan maintained at the Company's expense. Since that time a reserve has been accumulated to provide for the payment of pensions, but effective January 1941 the current provision for pensions (\$256,000 in 1941) is being paid into an irrevocable Pension Trust Fund established to hold and invest funds to be applied under the Pension Plan for the benefit of employees in respect of service after 1st January, 1941. At the end of the year there were 97 employees on the pension roll, including nine persons who retired during 1941. Payments to pensioners for the year totalled \$60,000.

No-Accident Record Plan—The aim of this plan is to stimulate and maintain interest in the Company's safety programme by the award of individual prizes to employees when their works complete specified periods without an accident. Six works reached their immediate objective during the year, Shawinigan Consolidated Works being the first ever to attain the highest award, the C-I-L Prize. The number of man-hours worked increased greatly and the number of accidents which occurred was higher than in 1940, and the Board records with sorrow that six employees died at their duties during the year. The accident-frequency rate, however, rose but slightly above that for 1940, despite the very considerable expansion in employment. Prevention of accidents and sickness must always be a subject of serious concern, and it gains new significance under present conditions when every delay in production tends to weaken the nation's endeavour to put forth its utmost strength. The response of employees to the appeal to observe scrupulously all safety regulations is to be commended and through the Safety Committees there has been excellent collaboration with management in the constant study to maintain the highest standard in safeguards and training.

Service Pin and Watch Plan—In recognition of long service 28 employees received gold watches on completing twenty-five years with the Company and 496 gold pins were awarded for lengths of service of five years and upwards.

NATIONAL SERVICE POLICY

The scope of the National Service Policy was extended in 1941 to include pre-war employees drafted under the National Resources Mobilization Act, since the period of compulsory service was increased from one month to the duration of war. Employees entering the armed services have been granted leave of absence with continuity of service credit, pension and benefit coverage, one month's pay on enlistment and subsequent monthly grants equivalent to the amount by which Company pay exceeds service pay and dependants' allowance or, where there are no dependants, the difference between two-thirds of the remuneration received from the Company and the service pay. Wartime employees, on joining any of the services, are entitled to a grant for one month on the same basis as the regular monthly grants paid to other employees.

WAGES, SALARIES AND SPECIAL WAR ALLOWANCE

In conformity with Government regulations, the remuneration of employees above the rank defined as foreman cannot generally be increased above the rate in effect on 6th November, 1941, except in recognition of a promotion involving a type of responsibility different from that previously performed. Basic wage rates were stabilized by the Government at the level prevailing on 15th November, 1941, and a cost-of-living bonus, which fluctuates with changes in retail prices, was introduced. The regulations as to payment of a cost-of-living bonus necessitated only minor changes in the special war allowance originally granted to employees in July 1940, and adjusted thereafter as conditions changed.

BONUS PLAN

The operation of the Bonus Plan for the past twenty-three years has enabled the Company, in years when earnings were adequate, to provide special recognition of outstanding services through awards made to employees in shares of the Company's non-voting common stock. Such awards serve to encourage continued efforts while retaining flexibility in the remuneration payable by the Company. As a result of an amendment adopted

by the Board of Directors on 9th October, 1941, the Plan now provides that bonuses may be granted in cash and/or shares and that when earnings of the Company exceed 6% on the capital stock and the earned and capital surplus, a proportion of such excess—but not more than 15% thereof—shall be determined by the Board of Directors and established as a fund out of which awards for the year may be made. No part of the income from or the investment in General Motors Corporation is included. Bonus awards based upon recommendations of senior executives are made on the authority of the Bonus Committee, which is composed of directors who are not salaried officers or employees of the Company. For the year 1941 the amount established for the fund was lower than in the previous year and awards were made to 214 employees, partly in cash and partly in Class "B" shares, the latter at a price determined by the Board of Directors on the basis of earning power and other factors. Since 6th November, 1941, operation of the Plan has been subject to the provisions of the Wartime Salaries Order.

DIRECTORS

A SEVERE loss was sustained by the Company through the tragic death of the Right Honourable Arthur B. Purvis on 14th August, 1941, in an aircraft accident in Great Britain. As a director he served on the Board for nineteen years and from 1st January, 1926, held with great distinction the position of President and Managing Director. A tribute to his outstanding services has been placed at the beginning of this report.

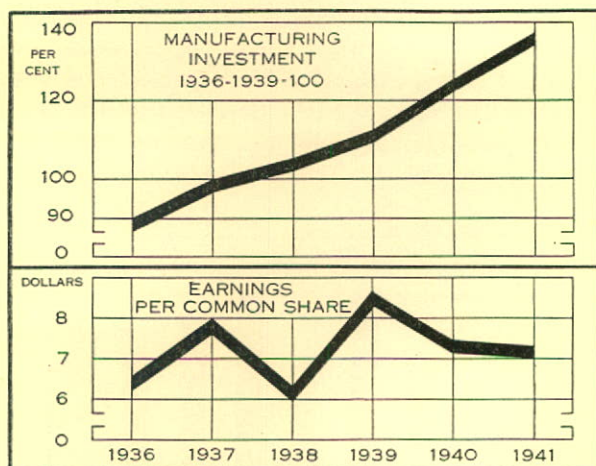
Mr. Purvis was granted leave of absence in December 1939, when he undertook important duties in the United States on behalf of the British Government, and Mr. George W. Huggett as First Vice-President was authorized to manage the affairs of the Company.

In October 1941, Mr. Huggett was elected President and Managing Director.

FINANCIAL REVIEW

THE Balance Sheet and Statements of Income and Surplus for the year ended 31st December, 1941, together with the Auditors' Report to the Shareholders, are presented at the conclusion of this section of the report.

Extensive adjustments in operations and policies to meet the wartime demands, together with higher material prices, advances in labour costs and increases in taxation, offset the effect of the considerably higher volume of sales, and net income for the year at \$5,383,000 was slightly below the 1940 level. Since increases in selling prices were of a minor nature, it was possible to limit the reduction in profits only by exercising rigid economy in all branches of the Company's operations. Recognizing that substantial losses may be incurred as a result of steps taken by industry to ensure maximum production of essential materials, an amount of \$750,000 has been set aside to provide a contingency reserve against such possible losses which are not at present capable of accurate determination. After deducting income and excess profits taxes at prevailing rates and after allowing for depreciation and all other charges, earnings amount to \$7.22 per common share for the year under review and compare with \$7.27 per share in 1940 and \$8.52 per share in 1939.



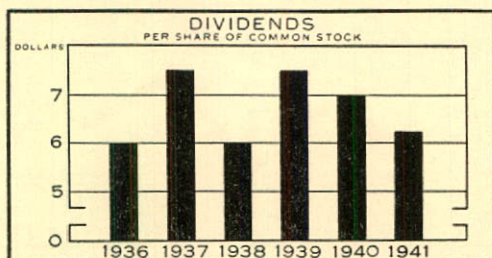
INVESTMENT INCOME

Income from investments is 29% higher than in 1940 and accounts for 16% of total earnings (excluding non-recurring gains from sales of marketable securities) as against a comparable figure of 13% last year. Dividends from General Motors Corporation totalling \$3.75 per share (United States funds) constitute an important source of investment revenue and were at the same rate as in 1940. Dunlop Tire and Rubber Goods Company Limited maintained the dividend on its common stock at 50 cents per share. Dividends declared by Defence Industries Limited are referred to on page 18.

As stated in previous Annual Reports, earnings of subsidiary companies have not been consolidated with those of Canadian Industries Limited and have been included in investment income only to the extent of this Company's share of the dividends declared. All subsidiary companies showed profits for 1941, which were in total \$186,000 in excess of dividends declared, but although excess profits tax provisions have been computed conservatively, the actual liabilities have not yet in all cases been definitely established.

DIVIDENDS

Quarterly dividends at the rate of 7% per annum were paid on the cumulative preferred stock. For the second successive year dividends on the common stock were reduced and at \$6.25 per share declared for 1941 compare with \$7.00 per share in the previous year and \$7.50 per share in 1939. The amount of \$1.75 per common share paid in April was followed by equal disbursements of \$1.50 per share in July, October and December. Income retained in the Company for the year 1941 totals \$682,000 and the balance in Earned Surplus amounted to \$5,078,000 at 31st December.



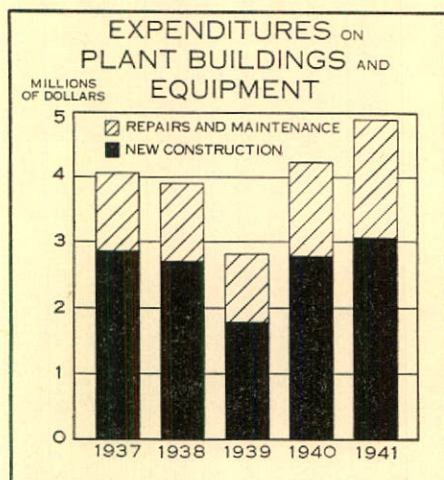
CURRENT ASSETS

Net working capital increased by \$1,200,000 during the year to \$15,250,000 at 31st December despite the continuation of large expenditures on plants and equipment. This increase in net current assets reflects the accumulation of reserves and the retention of a larger proportion of earnings. Inventories valued at the lower of cost or market prices, less a reserve against possible future loss in value, amounted to \$10,462,000 and were almost \$300,000 higher than at the close of 1940. Despite the advance in general commodity prices during the year, stocks of raw materials show a substantial reduction as certain supplies have been diverted by the Company to war plants. Government control of the distribution of essential materials has tended to restrict non-essential output and has enabled vital industry to maintain production schedules while limiting raw material holdings. The higher volume of sales, however, and the need for holding greater stocks of imported chemicals have brought about an increase in finished products.

FIXED ASSETS

Plants, buildings, equipment and land amounted to \$39,084,000 at 31st December, 1941, an increase of \$2,647,000. A departure from the Company's pre-war policy of providing new plants and equipment to meet the normal growth in chemical consumption and to improve the quality of products has been necessitated by shortages of material and the resulting restrictions placed on new industrial construction. Additional facilities, however, have been erected to meet specialized demands and projects arising from present conditions estimated to cost \$3,270,000 were authorized during the year in order to increase the output of essential products. Provision was made in 1941 for the manufacture of a new wartime product, anhydrous hydrogen chloride, and work was begun on a large wartime extension to the nylon plant before the completion of the original project. Extensions to existing plants and replacements account for 48% of total expenditures authorized in 1941 and provide additional capacity for the production of chlorine, nitric acid and trichlorethylene;

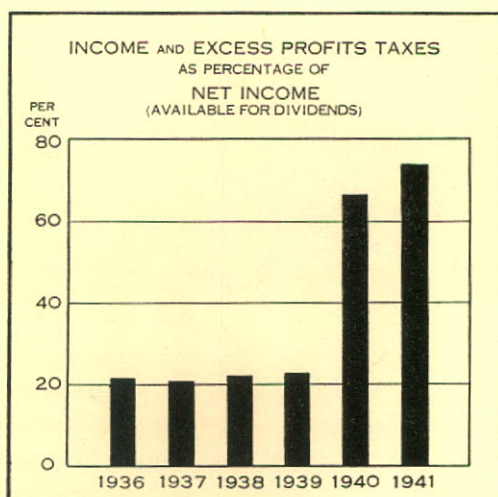
a steam boiler plant was also erected to release electrical energy for other war plants. Actual expenditures on new construction for the year totalled \$3,066,000 and assets originally valued at \$394,000 were taken out of service. In order to maintain efficient production which is most important under present conditions an amount of \$1,860,000 was expended for repairs and maintenance. The postponement of major repairs which would have necessitated shutdowns and the present high rate of operations will probably result in additional expenditures in the post-war period, and consideration was given to this in establishing the amount of the war contingency reserve.



Depreciation rates have been generally maintained at pre-war levels but, wherever necessary on new projects undertaken to meet government requirements, application has been made to the War Contracts Depreciation Board for permission to provide special depreciation on any part of such assets which will have no commercial value. In addition, higher depreciation has been provided on certain specific assets whose useful life is being curtailed as a result of accelerated rates of production.

TAXATION

Emergency conditions have caused widespread changes in the tax structure of the Dominion, resulting in unprecedented levels of taxation on corporate and personal incomes, owing to the costs of war. Present tax policies are also aimed at and are succeeding in discouraging expansion in capacity and production along lines not deemed essential under present conditions. Furthermore, other taxes have been imposed with a view to reducing civilian purchasing power which, stimulated by the vast increase in the national income, would otherwise compete severely with the Government for the available supplies.



Provision of \$3,986,000 has been made by Canadian Industries Limited for income and excess profits taxes in respect of 1941, as against an average annual amount of \$1,177,000 in the period 1936 to 1939 inclusive, and as sales taxes, war exchange tax and property taxes are not included in these figures, the increase and the total taxes are considerably higher. In addition, income and excess profits taxes of subsidiary companies are estimated to exceed \$1,300,000 for the current year.

A major step towards the simplification of the Canadian income tax structure was taken in 1941 by the withdrawal of the provinces from the personal and corporate income tax fields for the duration of the war. Although some of the various tax statutes are still in force, no provision has been made in the Company's accounts for provincial income tax this year in anticipation of the completion of formal agreements between the Dominion and provincial authorities.

GENERAL

IN concluding this review of the year 1941 reference may again be made to the principles which have guided management in directing the Company's affairs during a period which has necessitated a wide departure from previously held concepts and established procedures. Since September 1939, all considerations have been directed towards the attainment of maximum production of essential materials and every effort has been made to develop practices and to formulate policies in furtherance of war-time objectives. As a result of the changes in the industrial structure many present day problems are beyond the scope of peacetime experience. Fulfilment of the responsibilities undertaken is therefore largely attributable to the existence of a highly trained organization which possesses the necessary flexibility to make the adjustments demanded by the new conditions. The Board is able to report that the Company has consistently complied with the spirit and the letter of the emergency regulations and is determined to render the utmost service of which it is capable.

On behalf of the Board of Directors,

G. W. HUGGETT,
President and Managing Director.

Montreal, Canada, 23rd March, 1942.

FINANCIAL
STATEMENTS

AUDITORS' REPORT TO THE SHAREHOLDERS

Canadian Industries Limited,
Montreal.

We have audited the books of account and financial records of Canadian Industries Limited for the year ended 31st December, 1941, and have obtained all the information and explanations we have required.

The inventories shown on the attached Balance Sheet have been determined and certified by the management of the Company.

In accordance with Section 114 of the Dominion Companies Act, we report that profits earned by subsidiary companies for the year 1941 have been included in the attached accounts only to the extent of the dividends declared and received or receivable by this Company.

We certify that, in our opinion, the attached Balance Sheet and relative Statements of Income and Surplus are properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at 31st December, 1941, and the result from operations for the year ended that date, according to the best of our information and the explanations given to us and as shown by the books of the Company.

P. S. ROSS & SONS,
Chartered Accountants.

Montreal, 12th February, 1942.

CANADIAN INDUSTRIES LIMITED

STATEMENT OF INCOME AND EARNED SURPLUS

FOR THE YEAR ENDED 31ST DECEMBER, 1941

Income from Operations after charging depreciation and providing a reserve against future loss in inventory values.....		\$ 9,038,855
Income from Investments.....	\$ 1,081,004	
Loss on sale of Marketable Securities.....	540	1,080,464
		<u>\$10,119,319</u>
Provision for War Contingencies.....	\$ 750,000	
Reserve for Income and Excess Profits Taxes.....	3,985,900	4,735,900
		<u>4,735,900</u>
NET INCOME FOR THE YEAR.....		\$ 5,383,419

Dividends:

Preferred 7% Cumulative Stock.....	\$ 325,500	
Common Stock (\$6.25 per share).....	4,375,881	4,701,381
		<u>\$ 682,038</u>
Earned Surplus at 1st January, 1941.....		4,395,763
		<u>4,395,763</u>
EARNED SURPLUS AT 31ST DECEMBER, 1941....		<u>\$ 5,077,801</u>

NOTE: Included in the expenses charged against Income from Operations are the following items: depreciation \$2,077,988, remuneration of executive officers only, including bonus awards \$235,065, directors' fees \$20,000 and legal expenses \$3,873.

STATEMENT OF CAPITAL SURPLUS

FOR THE YEAR ENDED 31ST DECEMBER, 1941

CAPITAL SURPLUS AT 1ST JANUARY, 1941.....	\$14,944,593
Profit on sale of Capital Assets, less adjustments in the book value of idle real estate.....	58,231
	<u>58,231</u>
CAPITAL SURPLUS AT 31ST DECEMBER, 1941....	<u>\$15,002,824</u>

CANADIAN INDU

BALANCE SHEET AT

ASSETS

CURRENT ASSETS

Cash.....	\$ 2,839,908	
Marketable Securities (market value \$1,015,000)...	1,043,937	
Dominion Government Bonds.....	\$ 891,000	
Other Bonds.....	152,937	
Accounts Receivable, less reserve for doubtful accounts.....	6,313,273	
Customers' Accounts.....	\$ 4,902,752	
Subsidiary Companies.....	1,097,981	
Other Accounts.....	312,540	
Inventories, valued at the lower of cost or market price, less reserve against future loss in inventory values.....	10,461,584	\$20,658,702

DEFERRED CHARGES TO OPERATIONS..... 136,388

PREFERRED SHARES IN TRUST FOR EMPLOYEES'
WELFARE PLANS..... 796,653

FIXED ASSETS

Plants, Buildings and Equipment, based on the appraisals of the National Appraisal Company (1927 to 1929) as adjusted by the Company's own engineers, with subsequent additions at cost.....	37,439,561	
Land, at cost.....	1,644,462	
Goodwill, Patents and Processes.....	3,378,151	42,462,174
Investments in Subsidiary Companies.....	3,257,858	
Shares in Other Companies (including marketable shares, book value \$2,500,000, market value \$4,262,000).....	3,787,785	7,045,643

\$71,099,560

Approved on behalf of the Board,

G. W. HUGGETT
C. C. BALLANTYNE } *Directors.*

STRIES LIMITED

31st DECEMBER, 1941

LIABILITIES

CURRENT LIABILITIES

Accounts Payable.....	\$ 2,322,748	
Subsidiary Companies.....	429	
Dominion and Municipal Taxes.....	3,006,703	
Taxes.....	\$4,311,703	
Less Amounts Prepaid.....	<u>1,305,000</u>	
Dividends Declared.....	81,375	\$ 5,411,255
		<u>223,189</u>

DEFERRED LIABILITIES.....

RESERVES

Depreciation of Securities.....	1,200,000	
Depreciation of Plants, Buildings and Equipment.....	19,058,050	
Pension and Benefit Plans and Self Insurance.....	3,826,834	
(In addition \$257,523 is held in an irrevocable Pension Trust Fund)		
War Contingencies.....	<u>750,000</u>	24,834,884

CAPITAL STOCK

Authorized	Shares
Preferred 7% Cumulative Stock (par value \$100).....	75,000
Common Stock (no par value)	
Class "A" Voting.....	660,000
Class "B" Non-voting.....	<u>690,000</u>
Issued and Fully Paid	
Preferred Stock.....	46,500 4,650,000
Common Stock	
Class "A".....	615,974
Class "B".....	84,167 700,141
(Issued during the year in respect of 1940 awards under the Company's Bonus Plan for delivery to employees over a period of years, 3,196 Class "B" Shares—\$479,400)	15,899,607

CAPITAL SURPLUS.....	<u>15,002,824</u>	35,552,431
EARNED SURPLUS.....		<u>5,077,801</u>
		<u>\$71,099,560</u>

This is the Balance Sheet referred to in our attached report of even date.

P. S. ROSS & SONS, *Chartered Accountants.*

Montreal, 12th February, 1942.

CANADIAN INDUSTRIES LIMITED

CELLULOSE PRODUCTS GROUP

"CELLOPHANE" DIVISION	Plain transparent and moistureproof transparent "Cellophane" cellulose film.
"FABRIKOID" DIVISION	"Fabrikoid" and rubber-coated fabrics; "P.X." book cloth and other binding materials; "Tontine" window-shade cloth, buckram, "Pontan" and other shoe materials.
PAINT AND VARNISH DIVISION	Paints, varnishes, lacquers and enamels; "Duco" and "Dulux" for automotive and industrial finishes; "Cilux" enamel for household uses; "Trutone White" for white houses; "Duco" Household Cement and "Plastic Wood".
PLASTICS DIVISION	Combs; tooth-brushes; "Lucite" and other transparent and opaque plastic sheets, rods and tubes; moulding powders; "Plaskon" resin glue for plywood; X-ray film and chemicals; "Lucitone" denture material; nylon monofilament for brush bristles, fishing leaders, tennis-racquet strings, etc.

CHEMICAL GROUP

ALKALI DIVISION	Caustic soda and other alkalis; chlorine; bleaching powder and other chlorine derivatives.
GENERAL CHEMICALS DIVISION	Sulphuric and muriatic acids; aqua and anhydrous ammonia and refrigerant gases; ammonium chloride and other heavy chemicals.
ORGANIC CHEMICALS DIVISION	Dyestuffs; dry colours and pigments; intermediates; mining chemicals, neoprene, rubber colours and chemicals; solvents; ceramic materials and other organic chemicals.
NYLON DIVISION	Nylon yarn for the textile industries.
SALT DIVISION	All grades of "Windsor" salt for household, agricultural and industrial purposes.

EXPLOSIVES AND AMMUNITION GROUP

"DOMINION" AMMUNITION DIVISION	"Duco" waterproof shot-shells and all other classes of sporting ammunition embodying "Super-clean" non-mercuric priming; railway fuses, signals, explosive rivets, etc.
EXPLOSIVES DIVISION	Commercial explosives and blasting accessories.

FERTILIZER GROUP

FERTILIZER DIVISION	Superphosphate; complete fertilizers; "Gardenite" plant food; insecticides; "Cel-O-Glass"; "Sol-Min" and "Pig-Min" (mineral supplements); "Stable-Phos"; "Delsterol" (Vitamin "D"), etc.
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